

**GOGEBIC RANGE SOLID WASTE
MANAGEMENT AUTHORITY
IRONWOOD, MICHIGAN
AUDITED FINANCIAL STATEMENTS**

June 30, 2005

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Management Authority Gogebic Range Solid Waste		County Gogebic
Audit Date 6/30/2005	Opinion Date 12/6/2005	Date Accountant Report Submitted to State: 12/17/2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

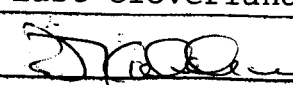
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive		City Ironwood	State MI
Accountant Signature 		ZIP 49938	

TABLES OF CONTENTS

Independent Auditor's Report	3
Management's Discussion and Analysis	5
Proprietary Fund:	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12
OTHER SUPPLEMENTAL INFORMATION	
Detail of Operating Expenses	20
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	21

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the
Board of Commissioners
Gogebic Range Solid Waste
Management Authority
Ironwood, Michigan

We have audited the accompanying basic financial statements of Gogebic Range Solid Waste Management Authority (the Authority), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gogebic Range Solid Waste Management Authority as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* as of April 1, 2004.


In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2005, on our consideration of Gogebic Range Solid Waste Management Authority's internal control over financial reporting and our tests with compliance with certain provisions of law, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in accordance with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Gogebic Range Solid Waste Management Authority, Ironwood, Michigan, taken as a whole. The financial statements listed in the table of contents under supplemental information are presented for the purpose of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 6, 2005, on our consideration of Gogebic Range Solid Waste Management Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ironwood, MI
December 6, 2005


Roger J. Kolehmainen PC
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Year ended June 30, 2005

Management's Discussion and Analysis

This section of the Gogebic Range Solid Waste Management Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2005. It is to be read in conjunction with the Authority's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending June 30, 2005.

Financial Statements

The statement of net assets shows the Authority's assets and liabilities. This statement measures the financial strength of the Authority; the greater the net asset figure, the healthier the Authority generally is. This shows if the Authority will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Authority. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Authority. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Authority.

Proprietary Funds

Proprietary Funds provide services for which the Authority charges customers a fee, like a business-type of activity. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Financial Statements-Condensed Financial Information

Statement of Net Assets

The following table shows the June 30, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Business- Type Activities
ASSETS	
Current Assets:	
Cash and other assets	\$115,065
Account receivable	51,642
Prepaid expenses	11,659
Non-current Assets	
Capital Assets, net	869,291
Other Assets:	
Restricted cash	36,899
Deferred bond costs	12,186
Accrued interest income	548
TOTAL ASSETS	<u>\$1,097,290</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$50,747
Accrued wages, benefits, & taxes	9,801
Accrued interest payable	6,019
Current maturity on long-term debt	16,000
Long-Term Debt	
Bonds payable	339,900
Less current maturity on long-term debt	(16,000)
TOTAL LIABILITIES	<u>\$406,467</u>
NET ASSETS	
Investment in capital assets net of related debt	529,391
Unrestricted	161,432
Total Net Assets	<u>\$690,823</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,097,290</u>

For business-type activities, net assets decreased by \$34,037 during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Results of Operations

The following represents the changes in net assets for business-type activities for the year ended June 30, 2005.

	Business-Type <u>Activities</u>
REVENUES	
Program Revenue:	
Charges for services	\$621,137
Other income	18,102
Interest Income	873
TOTAL REVENUES	<hr/> \$640,112
EXPENSES:	
Operating Expenses	(\$658,444)
Non-operating expenses	(15,705)
Increase (Decrease) in Net Assets	<hr/> (\$34,037)
Net Assets, Beginning of Year	724,860
Net Assets, End of Year (June 30, 2005)	<hr/> <hr/> \$690,823

Proprietary Fund

Unrestricted net assets as of June 30, 2005 are \$161,432.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the disposal rates have remained relatively stable over the past several years. The Authority has been increasing rates consistent with their contractual agreement with a major vendor. The Authority continues to provide essential services at a reasonable cost in supporting a healthy and clean living environment

MANAGEMENT'S DISCUSSION AND ANALYSIS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Authority Administrator
Gogebic Range Solid Waste Management Authority
E5917 U.S. 2
Ironwood, MI 49938

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$115,065
Accounts receivable-net	51,642
Prepaid expenses	11,659
Total Current Assets	<u>\$178,366</u>

PROPERTY, PLANT AND EQUIPMENT:

Land and improvements	93,102
Buildings and structures	970,516
Machinery and equipment	338,535
Allowance for depreciation	(532,862)
Total Property, Plant and Equipment	<u>869,291</u>

OTHER ASSETS:

Restricted cash	36,899
Accrued interest receivable	548
Deferred bond costs	12,186
Total Other Assets	<u>49,633</u>
TOTAL ASSETS	<u>\$1,097,290</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$50,747
Accrued wages, benefits and taxes	9,801
Accrued interest payable	6,019
Current maturity on long-term debt	16,000
Total Current Liabilities	<u>\$82,567</u>

LONG-TERM DEBT:

Bonds payable	339,900
Less current maturity on long-term debt	(16,000)
Total Long-Term Debt	<u>323,900</u>

NET ASSETS:

Investment in capital assets, net of related debt	529,391
Unreserved	161,432
TOTAL NET ASSETS	<u>690,823</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,097,290</u>

The accompanying notes are an integral part of the financial statements.

GOGEBIC RANGE SOLID WASTE MANAGMENT AUTHORITY
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
Year ended June 30, 2005

Business type Activities - Enterprise Funds

	<u>Total</u>
Operating revenues:	
Tipping fees	\$621,137
Other revenues	18,102
Total Operating Revenues	<u>\$639,239</u>
Operating expenses:	
Wages and related benefits	\$187,132
Operating supplies and expenses	55,539
Contracted disposal services	365,651
Provision for depreciation	50,122
Total Operating Expenses	<u>\$658,444</u>
Operating income (loss)	<u>(\$19,205)</u>
 Non-operating revenues (expenses)	
Interest income	873
Bond interest expense	(15,064)
Amortization of bond costs	(641)
Net Income (loss)	<u>(34,037)</u>
 Net Assets – June 30, 2004	<u>724,860</u>
 NET ASSETS – JUNE 30, 2005	<u>\$690,823</u>

The accompanying notes are an integral part of the financial statements.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH FLOWS

Year ended June 30, 2005

	<u>Totals</u>
Cash flows from operating activities:	
Income from operations	(\$19,205)
Adjustments to reconcile income from operations to net cash Provided by operating activities:	
Depreciation	50,122
(Increase) decrease in:	
Accounts receivable	(5,135)
Prepaid expenses	(977)
Increase (decrease) in:	
Accounts payable	(16,877)
Accrued payroll/taxes	696
Accrued interest payable	2,433
Total adjustments	<u>30,262</u>
Net Cash Provided by Operating Activities	<u>\$11,057</u>
Cash flows from capital and related investment activities:	
Bond interest	(\$15,064)
Bond proceeds	24,700
Principal paid on outstanding bonds	(15,000)
Fixed asset additions	(20,104)
Bond handling fees	(641)
Interest income	873
Net increase (decrease) in cash and cash equivalents	<u>(\$14,179)</u>
Cash and Cash Equivalents, June 30, 2004	<u>166,143</u>
Cash and Cash Equivalents, June 30, 2005	<u>\$151,964</u>

The accompanying notes are an integral part of the financial statements.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gogebic Range Solid Waste Management Authority (the Authority) provides solid waste transfer services to its members, other municipalities and the general public. The Authority was incorporated August 6, 1987, and began operating December 11, 1989. The Authority is governed by a Board of Trustees, an independent board comprised of members from the various membership communities to oversee the collection and transfer operations.

General Statement

The Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 34 provides the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Authority has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

PROPRIETARY FUND

Enterprise Fund- Enterprise Fund report operations that provide services, which are financed

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for operations in a manner similar to private business enterprises. The intent of the Authority is to recover operating expenses, including depreciation, through user charges.

Measurement focus

On the Statement of Net Assets and the Statement of Activities, business-like activities are presented using the economic resources measurement focus as defined below.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Authority. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. All receivables that are not considered fully collectible by management are written off using the direct write-off method and, accordingly, there is no allowance for doubtful accounts. There were no write-offs during the fiscal year.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Accrued Interest Receivables

Interest on certificates of deposits is recognized as revenue in the year monies are accrued.

Inventories

Inventories of Proprietary Fund are considered immaterial and were not taken at year end.

Property, Plant and Equipment

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	20-40 Years
Buildings and improvements	20-40 Years
Office and operating equipment	5-15 Years

Deferred Bond Costs

Deferred bond costs consist of legal fees and publishing fees incurred in connection with the issuing of bonds. These bond costs are being amortized over the period of the bonds being retired by charges to operations. The current year amortization expense is \$641.

Interest Expense

Interest on bonded indebted are recorded as an expenditure as accrued.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Budget

The Authority follows these procedures in establishing budgetary data:

- a) Authority administrator prepares and submits to the Authority Board a proposed operating budget prior to commencement of the fiscal year. The operating budget includes proposed expenditures and means of financing them and is stated on a basis consistent with accounting principles generally accepted in the United States of America.
- b) The Authority Board formally adopts the finalized operating budget prior to the commencement of the fiscal year.
- c) No budget changes or amendments were approved in the fiscal year.

Income Taxes

No provision for income taxes is recorded in the accounts as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

NOTE B - CASH

Statutes authorize the Authority to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Authority and the Authority holds certificates of deposits with the exception of one restricted certificate of deposit (\$4,185). All cash and certificates of deposits are deposited in financial institutions insured by federal depository insurance and are recorded at cost plus interest accrued which approximates market value.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

The Authority's cash and cash equivalents consist of the following as of June 30, 2005.

Cash and cash equivalents	\$113,455
Petty cash/cash on hand	1,611
Restricted Assets:	
Performance bonds	4,185
Construction account	<u>32,713</u>
Total	<u>\$151,964</u>

NOTE C - CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at June 30, 2005 follows:

Business-Type Activities	Balance at June 30, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2005</u>
Capital Assets not Depreciated				
Land	\$10,286	\$	\$	\$10,286
Capital Assets being Depreciated				
Land improvements	\$82,816			\$82,816
Buildings and improvements	954,175	16,341		970,516
Office and operating equipment	334,772	3,763		338,535
Subtotals	<u>\$1,371,763</u>	<u>\$20,104</u>	<u>\$</u>	<u>\$1,391,867</u>
Less Accumulated Depreciation for Equipment and Utility plant	(482,740)	(50,122)		(532,862)
Net Capital Assets Being Depreciated	<u>\$889,023</u>			<u>\$859,005</u>
Governmental Activities Capital	\$899,309	(\$30,018)	\$	\$869,291
Total Capital Assets-Net of Depreciation				<u>\$869,291</u>

Depreciation is computed using the straight-line method.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE D - ACCOUNTS PAYABLE

The Proprietary Fund account payable balances were for normal expenditures at year-end which included disposal fees payable to a major vendor in the amount of \$36,638.

NOTE E - CHANGES IN LONG-TERM DEBT

	Balance <u>6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/2005</u>
Bonds Payable	\$330,200 =====	\$24,700 =====	\$15,000 =====	\$339,900 =====

NOTE F - BONDS PAYABLE

The Authority has issued \$476,000 Solid Waste Disposal System No. 1 Bonds (Limited Tax General Obligation) pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation.

The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory tax limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available

The General Obligation Limited Tax Bonds, Series 2003 are payable in principal installments serially on August 1 of each year and the annual interest rate of 4.5% on February 1 and August 1, of each year, as follows:

Year ending <u>June 30,</u>	<u>Interest</u> <u>August 1,</u>	<u>February 1,</u>	<u>Principal</u>	<u>Total</u>
2006	\$10,372.50	\$10,372.50	\$16,000	\$36,745
2007	10,012.50	10,012.50	17,000	37,025
2008	9,630	9,630	17,000	36,260
2009	9,247.50	9,247.50	18,000	36,495
2010	8,842.50	8,842.50	19,000	36,685
2011	8,415	8,415	20,000	36,830
2012	7,965	7,965	21,000	36,930
2013	7,492.50	7,492.50	22,000	36,985
2014	6,997.50	6,997.50	22,000	35,995

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2015	\$6,502.50	\$6,502.50	\$23,000	\$36,005
2016	5,985	5,985	25,000	36,970
2017	5,422.50	5,422.50	26,000	36,845
2018	4,837.50	4,837.50	27,000	36,675
2019	4,230	4,230	28,000	36,460
2020	3,600	3,600	29,000	36,200
2021	2,947.50	2,947.50	31,000	36,895
2022	2,250	2,250	32,000	36,500
2023	1,530	1,530	33,000	36,060
2024	787.50	787.50	35,000	36,575
	<u>\$117,067.50</u>	<u>\$117,067.50</u>	<u>\$461,000</u>	<u>\$695,135</u>
	=====	=====	=====	=====

As of June 30, 2005, \$354,900 of bond proceeds were drawdown by the Authority and a \$15,000 principal payments was made. It is uncertain as to whether the Authority will continue to make any further draw downs.

NOTE H - MAJOR CUSTOMERS

Fees charged a local solid waste disposal contractor amounted to approximately 21% of the total disposal fees for the year ended June 30, 2005.

NOTE I - PENSION PLAN

On August 15, 1990, the Authority adopted a simplified Employee Pension Plan (SEP) covering employees who have performed services for the Authority in at least two of the immediately proceeding five years. The Plan, administered by First National Bank of Wakefield, provides for discretionary annual contributions limited by the maximum amount permitted under the Internal Revenue Code.

The Authority's defined annual contribution (3% of gross salaries for operators and 6% for administrator) to the employee's SEP bank account amounted to \$3,601 for the calendar year ended December 31, 2004. Employees do not make contributions to the Plan. All participants are fully vested immediately. Contributions to the Plan become the sole property of the participants.

NOTE J - ACCRUED LEAVE BENEFITS

According to personal service contracts and union agreements, full time employees shall accumulate one sick leave day per month not to exceed twelve days per year with a maximum accumulation of one hundred days. Upon severance of employment with the Authority or upon death of an employee, accumulated sick leave will be paid as follows (not to exceed \$5,000):

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

<u>Years of Service</u>	<u>Percentage of Sick Leave Payable</u>
5-15 years	33-1/3%
15-20 years	50%
20-25 years	75%
Over 25 years	100%

In the event of the death of an employee, his beneficiary will be paid the prevailing rate according to the above schedule (not to exceed \$5,000). Three employees have earned accrued sick leave benefits of \$4,423 which are recognized as accrued leave benefits in the financial statements.

NOTE K - ANNUAL/PERSONAL LEAVE

Employees earned vacation and personal leave time based upon number of years of service and may carry forward from one fiscal year to another, within certain restrictions. As of June 30, 2005, employees had earned \$1,050 in accrued annual/personal leave and are being recognized in the financial statements as a liability.

NOTE L - COMMITMENT/MAJOR VENDOR

The Authority entered into a five year agreement with Superior Waste Services, a Michigan Corporation, which provides for the Authority to receive and transferred waste to the Ontonagon landfill. The rates are subject to annual increases based upon inflationary factors/indexes. The Authority is in the third year of the contract. The Authority had incurred \$357,350 in disposal costs for the year ended June 30, 2005.

NOTE M - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; thefts or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained coverage from commercial insurance companies. The Authority has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Authority as of June 30, 2005, will not materially affect the financial condition of the Authority. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have exceeded commercial insurance coverage by \$3,500 over the past five years.

DETAIL OF OPERATING EXPENSES

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

For the year ended June 30, 2005

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Salaries and related benefits:		
Salaries		\$120,586
Employer share-Social Security		9,191
Hospitalization/life insurance		49,234
Pension contribution		3,601
Unemployment taxes		764
Workers' compensation insurance		3,756
		<u>\$187,132</u>
Operating supplies and expenses:		
Professional services	\$ 3,097	
Office supplies	6,395	
Telephone	1,457	
Disposal service-tire	3,450	
Travel and training	1,265	
Printing and subscriptions	346	
Insurance	7,515	
Septic/Industrial Waste	1,786	
Utilities	14,209	
Repairs and maintenance	15,608	
Refrigerators disposal	2,430	
Scrap metal disposal	635	
Membership fees	230	
Licensing and permits	200	
Compost costs	2,254	
Miscellaneous	<u>2,963</u>	63,840
Contracted disposal services		357,350
Provision for depreciation		<u>50,122</u>
		\$658,444
		=====

The accompanying notes are an integral part of the financial statements.

Roger J. Kolehmainen, PC
Certified Public Accountant
1445 East Cloverland Drive
Ironwood, MI 49938

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Chairman and Members of the Board of Commissioners
Gogebic Range Solid Waste Management Authority
Ironwood, Michigan

We have audited the financial statements of Gogebic Range Solid Waste Management Authority as of June 30, 2005, and have issued our report thereon dated December 6, 2005. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gogebic Range Solid Waste Management Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Gogebic Range Solid Waste Management Authority for the year ended June 30, 2005, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclosed all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted

that a lack of segregation of duties is presented, involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Management has been advised on prior audits and accepted the present staffing pattern as being cost effective to their size of operations.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Members of the Board, is a matter of public record.

Ironwood, Michigan
December 6, 2005


Certified Public Accountant

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

Board of Directors
Gogebic Range Solid
Waste Management Authority
Ironwood, MI

In planning and performing our audit of the financial statements of Gogebic Range Solid Waste Management Authority for the year ended June 30, 2005, we considered the internal control structure and procedures in existence. We noted opportunities for the Board to strengthen the system of internal controls and operating efficiency in the following areas:

OTHER COMMENTS AND RECOMMENDATIONS
TO STRENGTHEN
INTERNAL CONTROLS

1. PERFORM AN ANNUAL INVENTORY OF ALL ASSET HOLDINGS AND RECONCILE TO INSURANCE COVERAGE.
2. NEED TO INCLUDE PART TIME WORKERS UNDER YOUR SEP RETIREMENT PLAN. An ELIGIBLE EMPLOYEE IS ANY EMPLOYEE WHO:
 - a. IS AT LEAST 21 YEARS OLD
 - b. HAS PERFORMED SERVICES FOR THE EMPLOYER DURING AT LEAST THREE OF THE IMMEDIATELY FIVE YEARS AND
 - c. RECEIVED AT LEAST \$450 (FOR 2004 AND 2005) IN COMPENSATION FROM THE EMPLOYER DURING THE YEAR.
3. NEED TO ADHERE TO CHARGES ESTABLISHED FOR NSF CHECKS. EXCEPTIONS SHOULD NOT BE GRANTED.

This communications is intended solely for the use of the Board of Directors, management, and others within the organization and is not intended to be used by anyone other than these specific parties.

We "thank you" of being able to provide assistance and would be available to discuss these items in further detail at your convenience.


Roger J. Kolehmainen PC CPA

Ironwood, MI
December 6, 2005